



The Town of
Leesburg,
Virginia

ROBERT S. NOE, JR.
Town Manager

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July 15, 2002

The Honorable Mayor and Members of Council
Town of Leesburg
25 West Market Street
Leesburg, Virginia 20176

Madam Mayor and Members of Council:

I am pleased to present the adopted Fiscal Year 2003 Budget, which is in balance without an increase in the real property or personal property tax rates, and without adding to the town's bond indebtedness. This budget furthers the progress we have made in the last few years to create a modern organization capable of handling the challenges presented to it. Our goal is to meet three goals simultaneously – faster, cheaper, and better. We are changing our organization by practicing participative management, by having decisions made at the lowest practical level, and by encouraging all employees to take responsibility for the whole.

BUDGET HIGHLIGHTS

Summary of Council actions:

- Maintained the real estate tax rate at 22 cents per \$100 of assessed value.
- Maintained the General Fund balance at 10%, a reserve of \$3,238,053.
- Funded 11 General Fund capital projects with pay-as-you-go and non-town funding sources, with no new bond issue for FY 2003.
- Approved 20 new General Fund full time employees and 10 new Utilities Fund full time employees.
- Approved new initiatives including public safety, parks and recreation, information technology, stormwater management, and water and sewer infrastructure.

The budget for all town funds including capital projects is \$62,866,908. This is a 2% decrease from FY 2002, due primarily to a reduction in capital project spending.

	<u>FY 2002 Budget</u>	<u>FY 2003 Budget</u>	<u>Difference</u>	<u>% Change</u>
General Fund	\$30,249,306	\$32,441,398	\$2,192,092	7%
Utilities Fund	\$19,745,387	\$26,773,169	\$7,027,782	36%
Airport Fund	\$ 4,292,837	\$ 1,215,341	(\$3,077,496)	(72%)
Capital Fund	<u>\$ 9,919,500</u>	<u>\$ 2,437,000</u>	<u>(\$7,482,500)</u>	<u>(75%)</u>
	\$64,207,030	\$62,866,908	(\$1,340,122)	(2%)

In the Utilities Fund, no changes were made in the water and sewer user rates. The approved budget includes funding for two elevated water storage tanks, design for the Water Pollution Control Facility expansion, design for the Water Treatment Plant expansion to 15 million gallons a day, and improvements to the Western Pressure Zone to alleviate low pressure problems. The budget also provides for the hiring of 10 new full time employees. It also includes funding for a new office building to be constructed on West Loudoun Street and for an independent environmental audit of all town properties for compliance with federal and state environmental regulatory policies.

In the Airport Fund, revenues reflect an across the board increase in tie-down and hangar fees, which were approved by the Airport Commission this spring. Until this action, fees had not been raised in six years. These increases bring us more in line with fees charged at other general aviation airports. Leesburg Executive Airport is becoming more self-sufficient and in the future will demand less General Fund assistance. The Airport Fund budget includes a transfer of \$249,653 from the General Fund, a decrease from FY 2002.

In the Capital Projects Fund, the Council agreed with the recommendation of no capital projects that require new bond funds. The budget includes pay-as-you-go funds for high priority projects such as the Wilson-Pershing drainage improvements, South King Street bridge safety repairs, and the Town Branch drainage improvement design work.

REVENUES

Leesburg has worked hard to relieve individual homeowners of high property tax bills through revenues produced by other taxes such as sales, meals, and occupancy taxes, as well as fees charged for recreation programs and development plan review. Leesburg citizens continue to enjoy the lowest real estate tax rate among Northern Virginia's largest towns.

The following is a summary of significant revenue projections:

- General Property Taxes. Property tax projections are based on a total anticipated value of real estate of approximately \$3.1 billion, up 21% from the FY 2002 assessed value. We estimate real property tax collections of \$7.9 million next year, an increase of \$1.4 million over FY 2002. Approximately \$800,000 of this increase is based on higher assessments from Loudoun County.
- Other Local Taxes. Other local sources of taxation include various consumer type taxes such as utilities taxes, franchise fees, business licenses and prepared food and lodging taxes. Projections reflect a more conservative estimate of sales tax revenue, \$2.9 million for this year compared to a projection of \$3.5 million for last year. This 21% decrease is due primarily to the projected impact of the recent economic slump on retail sales.
- Permits, Fees and Licenses. Projected increases in recreation fees are due to a modest increase in admission fees as well as from the opening of the expanded Ida Lee Recreation Center in Fall 2002. This includes the recent Council action

to set a non-county resident daily admission rate of \$8. These changes will result in \$610,000 of new revenue. Projected revenues for business and professional licenses are up \$150,000 (8%), while projected revenues for plan review fees are down \$400,000, (44%).

- Intergovernmental. State support for police programs is approximately the same as last year.

EXPENDITURES

The adopted General Fund budget is \$32,441,398.

This year's budget process reflects a collaborative effort between the department directors and the town manager. The department directors functioned as the budget committee. I encouraged the directors to think beyond their own departmental interests to the greater needs of the town.

- Parks and Recreation initiatives will maintain the high level of service in the expanded Ida Lee Recreation Center. The expansion, funded through bond sales last year, requires \$600,000 in new operating expenditures, including six new full time positions. Staffing and support for Freedom Park is not included in this budget, but will be a major obligation in FY 2004.
- Police initiatives include hiring five new police officers, one dispatcher, and purchasing evidence tracking and paperless reporting software to help deter and investigate crime more effectively, as well as respond to Homeland Defense issues. In view of the events of September 11, I believe this is the most important new priority in the budget.
- Information Technology initiatives include hiring a Webmaster to enhance our Web presence and start the development of on-line services, as well as expanding digital mappings capabilities, and providing digital imaging solutions to records management. All of these will help make doing business with the town easier.
- Planning and Zoning initiatives include hiring five employees to be more proactive in comprehensive and sector planning, to improve review time of development plans, and to pursue zoning compliance. The review of the 1997 Town Plan will begin this fiscal year.
- Engineering initiatives include hiring an inspector primarily dedicated to capital projects to improve project oversight and a new senior engineer to shorten plan review time. The budget also provides for traffic-calming measures.
- Other initiatives will provide a user fee study conducted by an independent consultant. The fee study will involve a comprehensive look at all of our user fees such as recreation, airport, and development fees. It will include a comparative look at other localities and will help us determine if adjustments need to be made to our fees.

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In preparing the proposed FY 2003 budget, I urged department directors to identify the totality of their needs. Unfortunately, many of the operating and capital program change proposals they identified could not be accommodated.

NON DEPARTMENTAL ORGANIZATIONS

The budget allocates \$479,915 in funding to 12 community organizations that provide significant services to our town. This includes the Leesburg Volunteer Fire Company (\$163,000), Loudoun Rescue Squad (\$125,000), and the Virginia Regional Transportation Association (formerly Loudoun County Transportation Association) (\$57,915).

ANNEXATION

The budget includes \$150,000 to retain the special annexation attorney and consultants, should the annexation process continue into FY 2003. The comprehensive plan update beginning in FY 2003 will provide a way to engage the community in a discussion of how the annexed area might be planned and zoned.

CAPITAL PROJECTS AND DEBT SERVICE

Council has put a high priority on completing capital projects. New staff dedicated to project construction management as well as refined policies and processes helped the town make significant progress in FY 2002 on projects such as the South King Street roadway, sidewalk and drainage improvements, the North King Street Trail, and others.

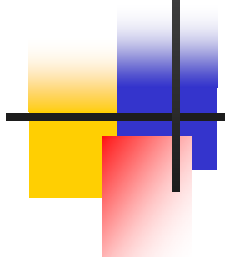
In FY 2003, four projects and one study will be funded through \$580,000 in current revenue and not bonds: Wilson-Pershing drainage, South King Street bridge safety repairs, Town Branch at King Street drainage improvements design, and Harrison Street sidewalk and drainage design, and an update of the Stormwater Master Plan.

Six other projects will receive over \$1.8 million through non-town sources such as development proffers, VDOT funding, and gas tax payments from Loudoun County. The most significant project is the East Market Street widening (Loudoun Street to Sycolin Road) scheduled for construction in the second half of FY 2003.

Your restraint in limiting borrowing in FY 2002 to the \$4.2 million bond issue for Freedom Park and no bond sale in FY 2003 helps to keep our debt service level within our fiscal policy goal of 15% of General Fund expenditures.

STAFFING AND EMPLOYEE COMPENSATION

The adopted budget will continue to fund our Pay for Performance System, and will help keep the Town of Leesburg a highly competitive employer. The plan for FY 2003 includes funding for:



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- The merit increase program, which ranges from 0%-5%, and a 2.5% cost of living adjustment. Both the COLA increases, applied on July 1, and the merit increases will be based on the midpoint of the employee's salary.
- No FY 2003 adjustments were made to the pay ranges. This is due to the continuing relevance of the recent Hendricks Pay and Classification Study. A market survey and adjustment for FY 2004 would follow the recommendation of Mr. Hendricks that we make adjustments every two years.

ORGANIZATIONAL CHANGE AND HIGH PERFORMANCE

Organizational change has been evident in the activities of the operating departments as well as the inclusive, collaborative environment of the staff's leadership group called "Leadership Leesburg". We have incorporated a participatory model of decision making to tackle some of the toughest problems facing Leesburg, including staff and space resource needs, E-government concepts, and enabling and empowering staff. In April 2001, a group of 45 employees from across the departments received training in High Performance Organization methods taught by Dr. John Pickering of the University of Virginia.

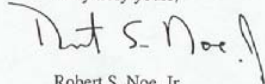
The HPO training led me to invite all of the department directors to be the ad hoc budget committee. The directors contributed significantly to the prioritizing of the program change proposals.

CLOSING

Producing a budget is a major effort. Paul York, Director of Finance and Mike Freda, Management/Budget Officer spent many hours preparing this document. Others made significant contributions including Phil Rodenberg, Deputy Town Manager; Nicole Ard, Assistant to the Town Manager; and Larry DiRe, Management Intern. The department directors met several times to rank the proposals. To each I say a genuine "thank you". I appreciate the contributions they made and the perspectives they shared.

In this challenging budget year, the Council has made the tough choices in prioritizing programs and projects. The town staff looks forward to implementing the FY 2003 Budget in service to the citizens of the Town of Leesburg.

Very truly yours,



Robert S. Noe, Jr.